

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



December 30, 1999

COUNTY FISCAL LETTER (CFL) NO. 99/00-46

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS
COUNTY PROBATION OFFICERS

SUBJECT: POLICY AND REPORTING INSTRUCTIONS FOR INTEREST
EARNINGS

Several counties have inquired about the ability to earn interest on incentive funds and the conditions under which the interest may be used. This CFL provides the related policy and reporting requirements.

Interest earned on performance incentive lump sum credits and monthly earned performance incentive payments are considered program income [45 Code of Federal Regulations (CFR) 92.25(b)]. Counties may retain and spend the income provided that the expenditures are for the purposes and under the conditions of the federal grant agreement (45 CFR 92.25(g)(2)). All expenditures must comply with the principles and guidelines included in the Office of Management and Budget Circular No. A-87.

There are two options available for spending/reporting program income (interest):

1. The program income may be added to the county's existing incentive funds, which would increase the amount available for federal grant expenditures. For example, if a county has earned performance incentives of \$40,000 and earned interest of \$500, the interest is added to the incentive funds, increasing the total fund amount to \$40,500.

The total incentives, including interest, must be reported on the County Expense Claim in accordance with instructions in CFL Nos. 98/99-54, dated November 20, 1998, 98/99-72, dated April 15, 1999, and 99/00-44, dated December 20, 1999. While it is not necessary to distinguish incentive funds from interest earnings on the CEC, counties must maintain financial records identifying the amount of interest earned and the purposes for which it is used in the event of an audit or review.

2. As an alternative, in situations specifically permitted by federal law, program income may be used as part of, or the entire, nonfederal match for other federal programs, e.g., Transportation Efficiency Act for the 21st Century (TEA 21). However, the

amount of Temporary Assistance to Needy Families funds that can be used in a cost sharing arrangement for the TEA-21 program are subject to the limitations specified in Section 404(k) of the Social Security Act. When using this option, the interest can only be used to reduce the nonfederal match; the total award will remain the same.

If you have any questions regarding the information or instructions provided in this CFL, please contact your Fiscal Policy Bureau county analyst at (916) 657-3440.

Sincerely,

***Original Document Signed By
George E. Peacher, Jr., on 12/30/99***

GEORGE E. PEACHER, JR., Chief
Fiscal Systems and Accounting Branch

c: CWDA